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E.O. 12958: DECL: 10/20/2018
TAGS: ECON ETRD OVIP UNGA FFTA CI
SUBJECT: A/S SULLIVAN AND PDAS KELLY MEETING WITH ECLAC ON
NEW TRADE INITIATIVE (PATHWAYS)

Classified By: Ambassador Paul E. Simons. Reason 1.4 (b) and (d).

¶1. (C) Summary. A/S Sullivan and PDAS Kelly met August 22 with officials from the UN Economic Commission for Latin American and the Caribbean (ECLAC/CEPAL) to provide a brief on U.S. economic engagement in the Western Hemisphere and preview USG plans for a new initiative (now called Pathways to Prosperity in the Americas) designed to broaden the benefits of free trade among the populations of the U.S. and its FTA partners and increase hemispheric economic integration. ECLAC Executive Secretary Barcena endorsed the initiative and suggested ECLAC could support it with the publication of a document analyzing FTA's in the hemisphere.

A/S Sullivan and PDAS Kelly supported the document but stressed that it should be released as a follow-on to the launch of the U.S. initiative. Barcena agreed to the approach and said she would wait for a go-ahead from the U.S. before proceeding with the document. PDAS Kelly asked for Barcena's ideas in promoting alternative development in Bolivia. She said ECLAC was ready to help with any U.S. programs and suggested Bolivia might benefit from a sale to the World Food Program. End Summary.

U.S. Hemispheric Engagement and a New Initiative

¶2. (U) EEB A/S Sullivan, WHA PDAS Kelly, and Ambassador Simons met with ECLAC Executive Secretary Alicia Barcena and Secretary Laura Lopez on August 22 in Santiago. Other U.S. participants in the meeting were: WHA/EPSC Director Rooney, TPP Senior Policy Advisor Lurie, E/POL Counselor Alsace, and Econoff. Other ECLAC participants were: Osvaldo Rosales, Director of the International Trade and Integration Division, and Gerardo Mendoza, Programs Director.

¶3. (C) A/S Sullivan began the meeting by underlining U.S. commitment to the Western Hemisphere and our strong record of economic engagement. He noted assistance to the hemisphere had doubled under the Bush Administration and 10 new countries were now receiving U.S. aid. A/S Sullivan

explained the U.S. will continue to maintain a strong focus on the hemisphere, especially regarding free trade. The USG was developing an initiative (Pathways to Prosperity in the Americas) on taking free trade to the next level, starting with countries with which the U.S. already had Free Trade Agreements (FTA). In the future any country would be welcome to participate, but it was only logical to start with the U.S., current free trade partners. A/S Sullivan noted he was due to meet with Ministers Foxley and Velasco later in the day to discuss the initiative, but his first meeting, by design, was with ECLAC.

¶4. (C) A/S Sullivan explained the initiative would attempt to deepen links already established by FTA,s in a larger, more comprehensive framework in the hemisphere. This would ensure that the broadest array of citizens in these countries could take advantage of the free trade architecture built over the last 25 years in a variety of areas such as English language training, development assistance, and small and medium enterprise financing. The Bush Administration wanted to pursue this initiative, despite the upcoming U.S. presidential election, because it would continue the strong momentum of progress in free trade in the Americas. A/S Sullivan noted constant forward progress was key in issues of free trade, as standing still often led to negative developments. The USG initiative had already received enthusiastic responses from several countries. PDAS Kelly added the U.S. was working very hard to emphasize the benefits of free trade for real people such as reductions in income disparity and improving health programs.

ECLAC Document on Free Trade

¶5. (C) Executive Secretary Barcena endorsed the initiative and congratulated A/S Sullivan and PDAS Kelly on their good timing, explaining the question of free trade was more salient than ever. There was a perception in the hemisphere that the U.S. was not focused on Latin America. A/S Sullivan noted he thought the perception unfair given the numbers and the results, such as those of the U.S.-Chile FTA. Barcena agreed and opined that the moment was ripe for the publication of a book of facts on FTA,s. She recommended a short-and-sweet document showing the evolution of FTA,s with the U.S., the pros and cons of free trade, and pending issues (such as Brazil,s reluctance to continue the FTAA process). The document could be prepared by ECLAC with the participation of the Inter-American Development Bank and the Organization of American States (who all participate in the FTAA tripartite committee). However, it would need to be produced quickly, probably within the next two months. The document could then be launched at a public event in Mexico or Chile or even at the upcoming APEC Summit in Peru. The World Bank (WB) could also be of assistance in the project since WB President Zoellick was a strong proponent of free trade. A/S Sullivan noted the USG initiative had stemmed from some of Zoellick,s ideas.

¶6. (C) A/S Sullivan thought the ECLAC document had a lot of potential and should offer an objective look at free trade, both benefits and costs. However, it should concentrate on economic arguments and avoid political issues such as Brazil and free trade. A/S Sullivan explained the USG was considering a high-level event to launch the new initiative (should it be approved), but it might be difficult to tie to the ECLAC document. If ECLAC could express its support at the launch of the initiative, it would be extremely helpful. PDAS Kelly suggested the document might be helpful as a follow-on to the launch of the initiative.

¶7. (C) Ambassador Simons suggested the need for a segment on institution building, noting that the U.S.-Chile FTA had promoted much closer institutional links on phytosanitary cooperation, culminating in the announcement of two-way trade in beef and chicken. Ambassador Simons also suggested a focus on regional investment noting that Chilean investors valued the investment chapter of the U.S.-Colombia FTA as a boost to regional investment protection. A/S Sullivan cited

the U.S.-Chile FTA as a great example of the success of free trade. He noted the staggering numbers showing U.S. exports had increased 200 percent and Chilean exports had increased 170 percent since the signing of the FTA. Unfortunately, there was rarely much attention paid to the collateral positive developments, such as the institutional cooperation cited by Ambassador Simons. Stressing these lesser known achievements was one of the goals of the USG initiative.

¶8. (C) Barcena appreciated the suggestions and admitted it would be best to focus the ECLAC document on facts, numbers, and flows. She undertook to begin production of the document, but wanted to wait for the go-ahead from the U.S. She asked Director Rosales to follow-up with Post. Rosales applauded the U.S. effort noting a hemispheric initiative was critical given the efforts of Europe and Asia to move beyond bilateral trade agreements. It was also critical to energize efforts to continue the Doha negotiations.

ECLAC Help in Bolivia

¶9. (C) PDAS Kelly told Barcena that INL A/S Johnson and WHA A/S Shannon had just been in Bolivia, where the relationship was very delicate. The GOB was attacking the Embassy and Ambassador frequently, and the USG was hoping to keep to the high-road and maintain focus on the many worthwhile USG programs in Bolivia such as alternative development. He asked Barcena if she had any suggestions. She replied that ECLAC was happy to support U.S. alternative development efforts in Bolivia. She noted the World Food Program needed to buy \$80 million of food for Haiti. Some of this purchase could be made in Bolivia to demonstrate the value of alternative crops, which needed a captive market to maintain any credibility in Bolivia.

¶10. (U) This cable has been cleared by A/S Sullivan and PDAS Kelly.
SIMONS